



The Trusted Choice

Michigan Association of Insurance Agents
Representing Independent Agents

Michigan Association of Insurance Agents No-Fault Reform Position

The MAIA Board unanimously adopted the following position regarding the proposed no-fault reform elements of HB 4936:

- MAIA supports a fee schedule;
- MAIA supports compromise language between the Kreiner and McCormick case thresholds;
- MAIA supports attendant care cost containment measures;
- Rather than the proposed PIP Choice, MAIA supports a single-limit Personal Injury Protection (PIP) coverage of not less than \$1 million.





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October 11, 2011

HB 4936
MAIA House Insurance Committee Testimony

Scott Hummel:

Good Morning Mr. Chair and Committee Members,

For the record, my name is Scott Hummel. I am here today representing the Michigan Association of Insurance Agents. We are a trade association for Independent Insurance Agencies in Michigan, mostly small businesses, and count over 800 agencies from across Michigan as members representing over 8000 agents and their staff.

We appreciate the opportunity and your time to share with you our position and concerns with HB 4936. As a former legislator, I do not envy the position you now find yourselves. The residents of Michigan have twice expressed their will at the polls in the 1990s regarding no fault reform by voting to maintain current provisions. Those results and public testimony indicate that the people are deeply concerned about health benefits for catastrophic victims of automobile accidents. At the same time, argument has been made that significant increases in health care costs and the unlimited nature of PIP benefits is increasingly jeopardizing the financial stability of the MCCA and auto insurers doing business in Michigan.

This is a complex issue with many policy questions to consider. First: Is the financial long term viability of Michigan's no-fault system in trouble? The MAIA believes the case has been made that, yes, the current state and trends are such with the MCCA and our current level of benefits that there is significant concern for the financial integrity of the MCCA. It is being strained and the long term viability is in question.



Second, if the first question is true, then what can be done to correct the problem while still providing a level of protection for catastrophic victims and their families that we have come to appreciate here in Michigan? As Independent Agents, our members have always sought to consider our insurance customers as we consider pending legislation and its impact.

To share MAIA's position with comment, I would like to turn it over to Mike McBride. Mike is MAIA's current President, a licensed agent, and comes from Mason-McBride Insurance from Oakland County.

Mike McBride:

Thank you, Mr. Chair and Committee Members.

The MAIA Board unanimously adopted the following position regarding the proposed no-fault reform elements of HB 4936:

- MAIA supports a fee schedule; Almost the entire medical provider community operates under some form of schedule (Medicaid, Medicare, Workers Comp, Blue Cross). It is not unreasonable to formalize such a schedule with respect to Auto No-Fault. However, we encourage you to think outside the box with respect to a fee schedule. Accessibility issues and comparisons between a worker's comp and catastrophic injuries have been raised. Hope Network's use of a discounted schedule for timely payment is one example. Post Trauma care would be another.
- MAIA supports compromise language between the Kreiner and McCormick case thresholds; Chief Justice Robert Young of the Michigan Supreme Court has called for clarifying language for non-economic or pain & suffering criteria.
- MAIA supports attendant care cost containment measures;
- Rather than the proposed PIP Choice levels, MAIA supports a single-limit Personal Injury Protection (PIP) coverage of not less than \$1 million; MAIA is concerned with the PIP Choice element and that the \$250,000 limit would become the "de facto" level of insurance resulting in consumers being underinsured in the event of a catastrophic injury accident. In fact, the Anderson Economic Group

testified that 90% of the insured's would move to the lower limit and another stated that in those states that offered PIP Choice, 80% - 95% moved to the lower limit. That would result in 575 – 675 catastrophic victims being underinsured each year according to the AEG numbers;

Agents are on the front lines. They have or have seen enough clients that have exceeded the \$250,000 low PIP limit. They have not seen that many greater than \$1,000,000. Is there something magical about the \$1M mark? No. We don't claim to be the expert in what a cap would be. You have heard from at least one individual that has exceeded that amount. However, the \$1M mark would cover all but 2 people each year involved in catastrophic accidents. (According to AAA's testimony, \$1M covers 99.68% of all claims; $.0032 \times 700$ catastrophic accidents (AEG average) = 2.24.)

Estimates of the savings to consumers should this proposal pass amount to little more than the MCCA assessment of \$150/year in return for giving up the best coverage (and probably the best care) in the world. That works out to about \$12/month or \$.40/day.

We have some additional concerns with the PIP Choice proposal (listed in our written testimony) but for the sake of time I will skip over them:

- Initial savings degenerate over time as costs shift to cover increased liability in additional lawsuits - thus, consumers will/may pay the same for less benefit;
- Costs will shift from insured to the state of Michigan as those who choose low limit turn to state benefits such as Medicaid to pay for catastrophic injuries;
- With Michigan's financial picture still hazy, moving from a "private" to public financing scheme for catastrophic victims seems ill-timed;
- The consumer could experience degradation in medical care if handed-off from auto insurance to public medical care coverage like Medicaid or Medicare;
- Agents have numerous examples of auto accident victims who were saved financially because of Michigan's No-Fault Law;
- The residents of Michigan have twice expressed their will at the polls in the 1990s regarding no-fault reforms by voting to maintain the current provisions;

- The actual savings is primarily due to not paying the MCCA assessment and, thus, not receiving the significant protection benefit; Consumers give up significant medical protection and benefit for the approximate savings of a little more than the MCCA assessment, currently about \$150;
- With a choice option, E&O costs may rise as agents are subject to more lawsuits if insured chooses a lower limit and is then involved in a serious accident; Even if Agent Immunity Language were present, protection does not prevent a lawsuit from being initiated;
- The Federal Health Care law may significantly alter Michigan's PIP requirements. All will be able and required to purchase health insurance without lifetime limits on the policy. Michigan's PIP requirement may become duplicative of the federal mandate.
- The question must be asked, if Michigan ranks 10th in cost with the best benefit in the country, then why are other states more expensive on average than Michigan? If other states have nowhere near the benefit of Michigan, what are they paying for? Texas and Florida slightly less; Louisiana, Alaska, Nevada, and several East Coast, New England states higher (9 in all).

We believe our first three points help to maintain the financial integrity of the MCCA. Our last point protects what we believe was the intent of Michigan's no-fault law and offers continued consumer protections for Michigan's insured drivers.

Some additional policy questions you may want to consider: What was the intent of the Legislature when they passed No-Fault? What problem were they trying to solve? Has it accomplished its purpose? Would the changes you are considering with HB 4936 preserve those solutions or recreate the problem(s) they were intending to address? If the changes may recreate some of the issues that no-fault was originally designed to alleviate is there another option or level of coverage that might address the concerns of the proponents yet not recreate past problems?

We understand that it is always appropriate to examine and consider if a law passed by a previous legislature has accomplished its intended purpose(s) and also to examine if changing circumstances necessitates changes to the law to keep its intent. In this case MAIA believes that there

are reasons to consider amending our current no-fault law to strengthen the long-term outlook for the MCCA, as we have indicated, and maintain the robust and beneficial coverage that Michigan drivers enjoy. However, we would encourage you not go so far as to recreate problems that caused the previous legislature to act in the first place, that is allow for coverage too low whereby consumers are left to other means by which to receive benefits to treat their catastrophic injuries.

We don't have to be ashamed of Michigan's no-fault law; that somehow we are not like other states. We do have to make sure that we do what is necessary to ensure the financial integrity of the MCCA and no-fault law in order to keep our great example for Michigan's insured drivers.

MAIA wishes to thank you Mr. Chairman, for recognizing the risk to agents and for including the language that offers a degree of protection for agents should the PIP Choice element of the bill become law. Thanks also to the committee for your time and we are available for any questions you may have.